

USDA Foreign Agricultural Service

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Global Agricultural Information Network

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Coffee Annual

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Report Highlights:

Vietnam's MY2015/16 overall coffee production remains unchanged at 29.3 million bags. Post's forecast for MY2016/17 production is 27.3 million bags, about a 7 percent drop compared to that of MY2015/16 due to adverse weather conditions (El Nino and possibly followed by the La Nina phenomenon).

Executive Summary:

The first rains with moderate intensity occurred over the Central Highlands in the last week of April, providing water and improving soil moisture significantly for coffee trees. However, monthly rainfall in the first half of April is slightly lower than the same period last year; and rainfall by April in both calendar 2016 and 2015 were much lower than the average of the last 10 years. Most water reservoirs are storing about 30% to 50% of their designed capacity. Average relative humidity was 6.4% lower compared to the same period in past 5 years.

In MY2015/16, there was an increase in production of about 7%, compared to MY2014/15 when there was also a dry weather conditions. For MY2016/17, the flowering and fruit-setting process (from January to early March 2016) was met with good weather which was favorable. Some coffee flowering areas in February and early March suffered from limited rainfall, but farmers still had access to enough surface and underground water sources to irrigate their plantations. Post estimates a production reduction up to 7 percent compared to MY2015/16 crop. On the other hand, production may decline further (15 percent) should the drought be prolonged or follow by unfavorable rains caused by La Nina.

Commodities:

Coffee, Green

Production:

MY2015/16 crop:

Vietnam's MY2015/16 overall coffee production is remained unchanged at 29.3 million bags. An increase of over 6.9 percent compared to MY2014/15 due to favorable weather.

MY2016/17 crop:

Post places the forecast for MY2016/17 production at 27.3 million bags, about a 7 percent drop compared to that of MY2015/16 due to continued adverse weather conditions (El Nino and likely followed by La Nina).

Coffee Production by Marketing Year (Oct.-Sept.) (green bean)

	MY2014/15	MY2015/16 estimate		MY2016/17 Forecast	
		Old	New	Old	New
Marketing year begins	Oct. 2014	Oct. 2015	Oct. 2015	Oct. 2016	Oct. 2016
Production (thousand bags)	27,400	29,300	29,300		27,276
Average yield (tons/ha)	2.51	2.66	2.65		2.45

Source: Post estimates

There is concern about the severity and impact of dry weather on the conditions of the coffee crop in key producing provinces in the Central Highlands of Vietnam, namely Dak Lak, Dak Nong, Gia Lai, and Lam Dong. Because of El Nino, which began in 2015 and continued into 2016, the first months of 2016 were the hottest on record. There have been less rain, lower water levels, higher temperatures, and less humidity across the Central Highlands.

The first rains of moderate intensity occurred over the Central Highlands the last week of April, providing water and improving soil moisture significantly for coffee trees. In Kon Tum province in the Northern Central Highlands to the Southern Highlands, rains were well distributed among coffee regions. Monthly rainfall in the first half of April was slightly lower than the same period last year. But annual rainfall by April of both calendar 2016 and 2015 were much lower than the average of the last 10 years. Overall, the weather was still hot and sunny with slight winds during daytime, but turned cloudy with moderate showers in the late afternoon. Most water reservoirs are storing about 30% to 50% of their designed capacity. Average relative humidity was 6.4% lower compared to the same period in past 5 years.

In MY2015/16, there was an increase in production of about 7%, compared to MY2014/15 when there was also a dry weather conditions. In MY2016/17, despite limited rainfall, the weather was dry, windy, and sunny during the crucial flowering and fruit-setting process (from January to early March 2016) which created good conditions for flowering and fruit setting. Where rainfall was very low, farmers still had access to enough surface and underground water sources to irrigate their plantations during the critical February-March period. According to coffee observer, despite the dryness, damage to the MY2016-17 crop during the flowering and fruit-setting stage has been minimal. In some areas where farmers rely only on rains and surface water from streams, the dry weather has caused some damage. The plants affected only received one or two watering so far in calendar year 2016, insufficient to sustain flowering and cherry formation.

In the first half of May, most coffee areas received light to heavy rains. This not only brought cool weather but also helped improve soil moisture and helped farmers apply fertilizer to coffee trees. However, May rainfall (during the first half of May) has been much lower than the same period in the last 5 years. The lack of May rain is adding stress to coffee trees. Current forecast models indicate rainfall will reduce sharply and weather will be hot and dry again by end of May. If the lack of rains continues in June coffee crops will face additional losses.

The high probability of La Nina in August-October of 2016 will bring a lot of rain to coffee areas. However, the timing of the rains might not be useful for the coffee tree growing cycle. Too much rain is unfavorable as high air humidity will reduce root efficiency, reduce photosynthesis, and result in fruit dropping.

Among the 3 main regions for Arabica production in Vietnam: Lam Dong, Quang Tri, Dien Bien / Son La; Lam Dong, the largest Arabica producers with 16,000 hectares, is likely the only area affected by the drought conditions. However, Post estimates Arabica crop received less damage since the flowering stage is a month earlier than Robusta. The estimate for the damage is about 4.5 percent of the total Arabica area compared to MY2015/16.

In MY 2016/17, Post estimates a production reduction up to 7 percent compared to the MY2015/16 crop. It should be noted, however, that should La Nina materialize during the second half of 2016 and affect the Central Highlands, the reduction could be greater.

Post estimates total coffee area at about 662,250 ha in MY 2015/16, and forecasts MY2016/17 coffee area at about 668,200 hectares. During the past five years coffee production faced strong competition from black pepper production due higher income per hectare. However, black pepper's higher income potential is partially offset by very high start-up and input costs and very high risk of loss from plant diseases. Recently, growth in pepper production area has become flat. Analysts have noticed that coffee producers are planting small amounts of black pepper to supplement farm income. With higher income, coffee farmers can hold their coffee longer in anticipation of higher prices.

Estimate of Vietnam's Coffee Areas by Province

Province	Approximate Coffee Area in MY2014/15	Approximate Coffee Area in MY2015/16	Approximate Coffee Area in 2016/17 (old)	Approximate Coffee Area in 2016/17 (new)
Dak Lak	209,760	209,000		210,000
Lam Dong	151,565	154,000		155,000
Dak Nong	131,895	126,000		128,000
Gia Lai	83,168	80,000		82,000
Dong Nai	20,800	21,000		21,000
Binh Phuoc	15,646	16,000		16,000
Kontum	12,390	14,000		14,000
Son La	10,650	12,000		12,000
Ba Ria - Vung Tau	15,000	15,000		15,000
Quang Tri	5,050	5,050		5,000
Dien Bien	3,385	4,500		4,500
Others	5,700	5,700		5,700
Total	665,009	662,250		668,200

Sources: Provincial DARDs, MARD, Local exporters, Local traders.

Vietnam's Coffee Production vs. Black Pepper Production in MY2015/16 (ha, ton, \$ mil.)

Province	Coffee crop			Black pepper crop		
	Planted area	Production	Total Crop Value	Planted area	Production	Total Crop Value
Dak Lak	209,000			16,000		
Lam Dong	154,000					
Dak Nong	126,000			14,500		
Gia Lai	80,000			14,000		
Dong Nai	21,000			10,000		
Binh Phuoc	16,000			25,000		
Kontum	14,000					
Son La	12,000					
Ba Ria - Vung Tau	15,000					
Quang Tri	5,050			3,600		
Dien Bien	4,500					
Others	5,700			2,500		
Total	662,250	1,758,000	2,570	85,600	126,000	1,260

Sources: Provincial DARDs, MARD, Local exporters, Local traders.

Consumption:

Post revises the estimate for domestic consumption for roasted and ground coffee at 2.25 million bags for the MY2015/16 and 2.5 million bags for the MY2016/17, due to the continued expansion of coffee shops and cafes. Some new local products utilizing roasted coffee: filter bag coffee, collagen coffee designed for women, and durian or ginseng coffee are introduced into the market to satisfy customer preference and demand.

For soluble/instant coffee, according to the Vietnam Coffee and Cocoa Association, Vietnam's total targeted capacity for soluble coffee production is about 2.67 million bags. However, the actual production is probably only about 50 percent of capacity. Given the strong demand for soluble coffee products domestically and growing demand for export, Post estimates soluble coffee consumption at about 350,000 bags in MY2015/16 and 370,000 bags in MY2016/17.

According to Euromonitor, the prominent presence of specialist coffee chains allows consumers to have easy access to high-quality, freshly brewed coffee at affordable prices. Consumers can also easily prepare instant coffee for consumption at their offices or homes. Domestic consumption is forecast to continue to grow, reflecting the expanding retail coffee shops and robust growth of other retail food service subsectors serving coffee in Vietnam. The expanding coffee retail sector will contribute to stronger consumption for the foreseeable future.

Trade:

Exports

Post revises the estimate for Vietnam's MY 2014/15 total coffee exports, including green beans, roasted and ground, and instant coffee, down from 26.43 million bags to 21.53 million bags due mainly to lower green bean coffee exports. For MY 2015/16, Post estimates total coffee exports at 28.07 million bags, an increase of approximately 31 percent over the previous MY due to Vietnamese green bean Robusta reemerging as a major supply source and the increased export of soluble and roasted coffee.

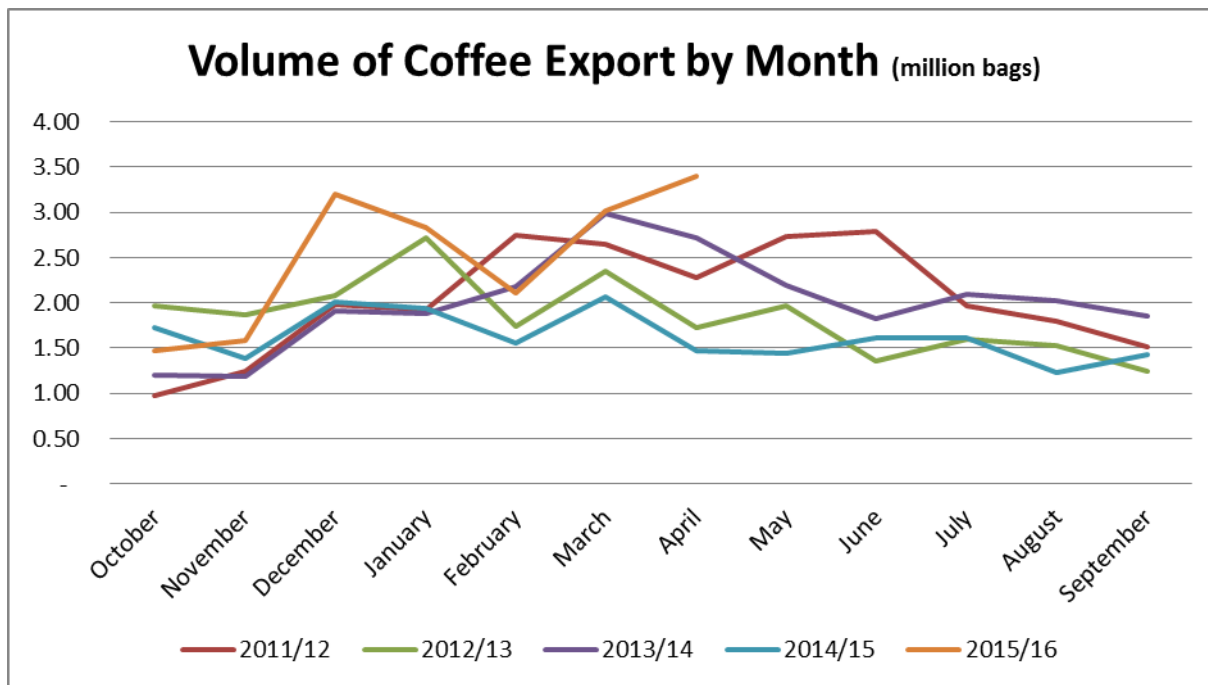
Green Bean Exports:

According to trade data, over the first half of MY2015/16, October 2015 to March 2016, Vietnam exported about 14.11 million bags of green coffee beans, an increase of about 25 percent compared to the first six months of the MY 2014/15. According to traders, the Brazilian Conilon crop situation together with the unexpected low sea freight from Vietnam to European Union has boosted the exports of Vietnamese Robusta during the first half of MY2015/16.

Vietnam exported over 203,000 tons (over 3.38 million bags) of coffee in April, up about 13 percent from the previous month, according to the Customs Department, which was a monthly record. April shipments brought Vietnam's total coffee exports for the first seven months of the MY2015/16 to about 17.62 million bags, or an increase of 25 percent from MY2014/15.

Soluble and Roasted Exports:

Post maintains exports of roasted and ground and soluble coffee in MY2015/16 at 550,000 bags for roasted and 1.5 million bags for soluble coffee GBE (Green Bean Equivalent). Post forecasts the same volume for MY2016/17 due to the flat growth of these sectors.



Source: Vietnam Customs

Imports:

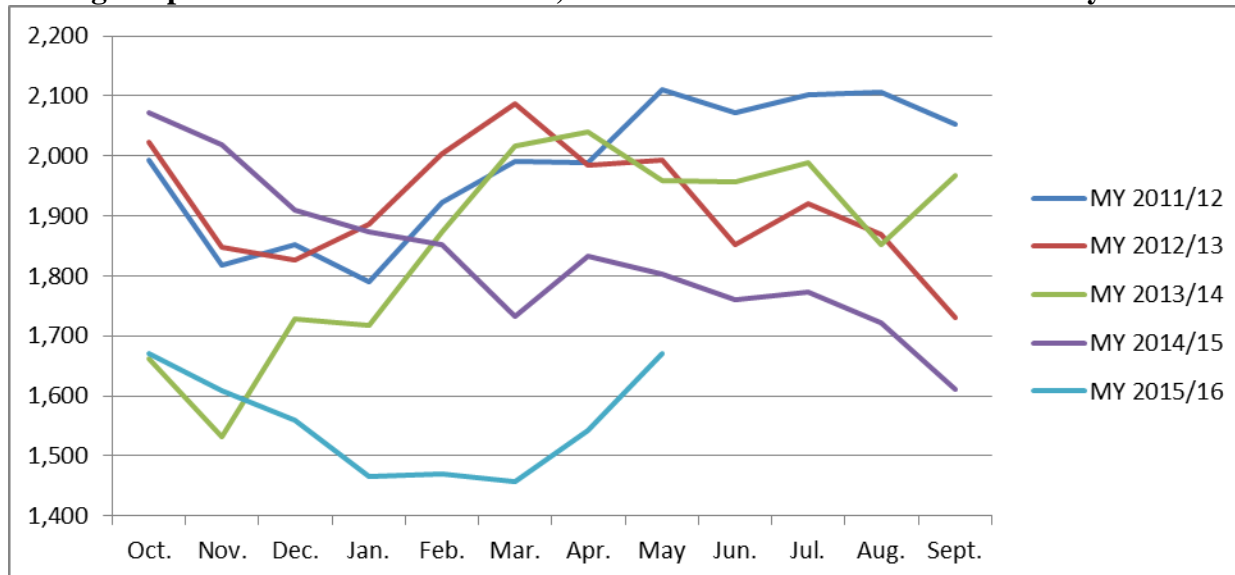
Vietnam continues to import small quantities of green coffee beans, as well as roasted and instant coffee, from countries such as Laos, Indonesia, Brazil, Cote d'Ivoire and the United States. Vietnam's import of roasted/ground coffee from the United States has increased in the past couple of years due to the expanding coffee retail sector. U.S. brands such as Starbucks, McCafé, and Dunkin Donuts have become established operations in Vietnam in recent years.

According to data from GTA, total coffee imports in MY 2015/16 are estimated at 630,000 bags GBE. Of that total, about 160,000 bags GBE is soluble coffee, 20,000 bags GBE is roast and ground, and 450,000 bags is green bean imports. Post's forecast for MY 2016/17 total coffee imports is 640,000 bags.

PRICES

Export Prices:

Average Export Prices for Green Coffee, MY12/13 - MY14/15 and October-May MY15/16



Sources: Daktip, Vicofa, BCEC, and Local Exporters

The monthly export price of common ungraded green bean Robusta in MY 2015/16 (FOB HCMC) decline to the lowest level of the last five MYs during the January to March 2016 period. The price went up in March 2016 due to drought situation in both Vietnam and Brazil.

Domestic Prices:

The domestic price for Robusta common ungraded coffee beans in the first eight months of MY 2015/16 declined to very low levels, VND 32,000 /kg in Lam Dong in January 2016, compared to VND 39,600 /kg in Lam Dong at the same time in 2015. Prices bottomed out during February and March 2016, and have rebounded steadily in April-May due the news of the unfavorable harvest in Brazil and drought situation in parts of Vietnam.

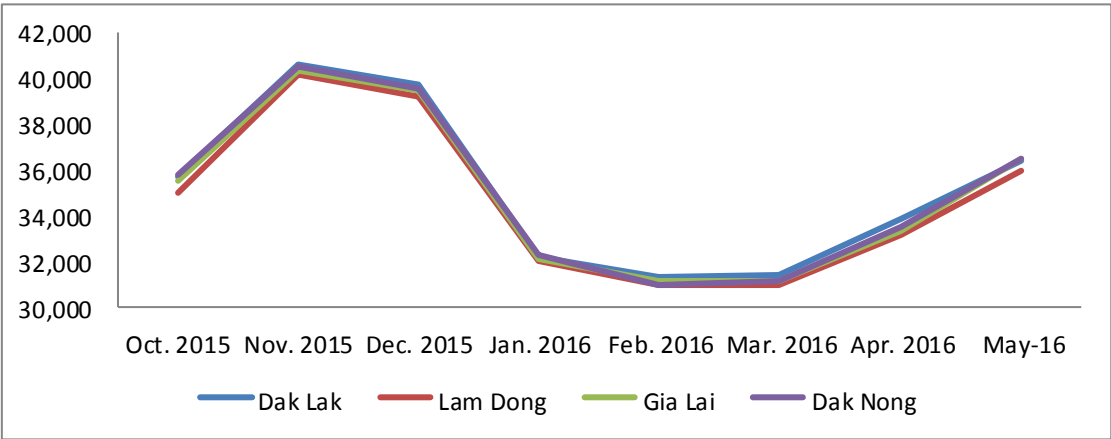
Local prices for Robusta Beans in Major Coffee Growing Provinces

Common coffee beans (VND/kg)	Oct. 2015	Nov. 2015	Dec. 2015	Jan. 2016	Feb. 2016	Mar. 2016	Apr. 2016	May 2016
Dak Lak	35,700	40,616	39,718	32,200	31,300	31,400	33,900	36,400
Lam Dong	35,000	40,200	39,200	32,000	31,000	31,000	33,200	36,000
Gia Lai	35,500	40,400	39,500	32,100	31,100	31,100	33,300	36,500
Dak Nong	35,800	40,500	39,600	32,300	31,000	31,100	33,500	36,500
Common coffee beans (VND/kg)	Oct. 2014	Nov. 2014	Dec. 2014	Jan. 2015	Feb. 2015	Mar. 2015	Apr. 2015	May 2015
Dak Lak	40,750	40,616	39,718	40,403	39,850	38,050	39,200	36,900
Lam Dong	39,785	39,911	39,250	39,600	39,406	37,355	38,400	37,200
Gia Lai	40,931	40,674	39,809	40,200	39,775	38,295	39,200	37,400
Dak Nong	40,792	40,774	39,927	40,271	39,781	38,010	39,300	37,300

Source: Vicofa, Buon Ma Thuot Coffee Exchange Center (BCEC), Daktip and Local exporters.

Exchange rate: US\$1 = VND 21,620 as of April 8, 2015 (Source: Vietcombank)

Local prices for Robusta Beans in Major Coffee Growing Provinces Oct. 2015-May 2016



Stocks

In the absence of an official number for Vietnamese coffee stocks, Post estimates the MY 2015/16 ending stocks at about 4.99 million bags, or about 21.66 percent lower than MY2014/15 ending stocks, due to higher export volume. Post’s forecast for MY 2016/17 ending stocks is about 3.48 million bags, due to lower coffee production caused by dry weather and only a slight decline in forecasted total coffee exports.

Statistical Tables:
Production, Supply and Demand Data Statistics:

Vietnam's Coffee Production, Supply and Demand (PSD)

Coffee, Green Market Begin Year	2014/2015 Oct 2014		2015/2016 Oct 2015		2016/2017 Oct 2016	
Vietnam	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
Total Tree Population	0	0	0	0	0	0
Beginning Stocks	2130	2130	5831	6373	0	4986
Arabica Production	1050	1050	1100	1100	0	1050
Robusta Production	26350	26350	28200	28200	0	26226
Other Production	0	0	0	0	0	0
Total Production	27400	27400	29300	29300	0	27276
Bean Imports	450	450	200	450	0	450
Roast & Ground Imports	10	10	10	20	0	30
Soluble Imports	130	130	160	160	0	160
Total Imports	590	590	370	630	0	640
Total Supply	30120	30120	35501	36303	0	32902
Bean Exports	20333	19791	26667	26667	0	24500
Rst-Grnd Exp.	457	457	550	550	0	550
Soluble Exports	1282	1282	1500	1500	0	1500
Total Exports	22072	21530	28717	28717	0	26550
Rst,Ground Dom. Consum	1917	1917	2250	2250	0	2500
Soluble Dom. Cons.	300	300	350	350	0	370
Domestic Consumption	2217	2217	2600	2600	0	2870
Ending Stocks	5831	6373	4184	4986	0	3482
Total Distribution	30120	30120	35501	36303	0	32902

